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FEDERAL COMMUNICATIONS COMMISSION

WASHINGTON, D.C. 20554

14 SEP 1994

IN REPLY REFER TO:  
7310-09/1700A1

Vincent Kropp  
General Manager  
Phillips County Telephone Company  
Post Office Box 387  
Holyoke, Colorado 80734

DOCKET FILE COPY ORIGINAL SEP 16 1994

Dear Mr. Kropp:

This letter is in response to your letter to Congressman Wayne Allard, regarding the Commission's consideration of the competitive bidding award structure for emerging wireless technologies such as personal communications services (PCS). Your letter specifically addressed the need for separate PCS license blocks for rural telephone companies.

At its June 29, 1994 agenda meeting, the Commission adopted service-specific rules for broadband PCS, including a "Competitive Opportunity Plan" that establishes two "entrepreneurs' blocks" for smaller businesses including small rural telephone companies. These blocks together consist of 986 licenses, which will be authorized within Basic Trading Areas (BTAs). Eligibility for these blocks will be limited to entities, including rural telephone companies, that have annual gross revenues of less than \$125 million and total assets of less than \$500 million, in order to safeguard for small businesses the ability to participate in the auctions without competition from the largest of companies. Within the entrepreneurial blocks, the Commission established a range of provisions to address the most challenging barrier to entry by designated entities -- that is, access to capital. These provisions include bidding credits, installment payment plans, tax certificates and relaxed attribution standards. For example, within the entrepreneurs' blocks, businesses with less than \$40 million in gross revenues for the three preceding years (including revenues of their affiliates) are eligible for bidding credits of 10 percent, and small businesses owned by women or minorities are eligible for bidding credits of 25 percent. In addition, bidders in the entrepreneurs' blocks will receive a 25 percent discount from the ordinary upfront payment. Furthermore, most winning bidders within the entrepreneurs' blocks may pay for their licenses in installments, thus deferring payments of principal on their debt to the government. The Commission recently proposed a similar plan for licensing certain narrowband PCS frequencies.

The Commission also established rules permitting rural telephone companies to obtain broadband PCS licenses that are geographically partitioned from larger PCS service areas. Rural telephone companies: (1) may form bidding consortia to participate in auctions, and then partition the licenses won among consortia participants, or (2) may acquire partitioned broadband PCS licenses from other licensees through private negotiation and agreement either before or after the auction. These rules will provide a viable opportunity for rural telephone companies to provide rapid service to their rural wireline telephone service areas. If you would like additional information, you may call Julia Kogan of my staff at (202) 632-7125.

Sincerely,

*Ralph A. Haller*  
Ralph A. Haller

Chief, PCS Task Force  
Chief, Private Radio Bureau

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U.S. HOUSE OF REPRESENTATIVES

*2824*

June 17, 1994

The Honorable Reed Hundt  
Chairman, Federal Communications Commission  
Washington, D.C. 20554

Dear Chairman Hundt:

Enclosed is a letter written to me by Mr. Vincent Kropp, General Manager of Phillips County Telephone Company in Holyoke, Colorado. As you will read, Mr. Kropp is concerned about the Personal Communications Services (PCS) licensing process. I have forwarded a copy of his letter to your attention with the understanding that you are in a better position, as Chairman of the Federal Communications Commission, to respond to many of his concerns. Any insight you can provide Mr. Kropp regarding the PCS licenses will be greatly appreciated.

Thank you for your attention to this matter.

Sincerely,

*Wayne*  
Wayne Allard

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Representative Wayne A. Allard,

I am writing to express my concern about pending action by the Federal Communications Commission to eliminate separate PCS (personal communications services) license blocks for rural telephone companies and other designated entities.

Your immediate attention is requested because the FCC will address PCS service issues at its June 9th meeting and PCS auction rules shortly thereafter.

This is a serious matter for your rural constituents and their ability to obtain the benefits of modern telecommunications services like PCS in a timely manner, at reasonable prices.

If the Commission takes this action to eliminate separate auction treatment for designated entities, rural telephone companies and their customers will effectively be left out of PCS, and the field will be left to major carriers serving population centers.

And most importantly, the Congressional mandate to promote universal service and economic opportunity by disseminating licenses among a wide variety of applicants, including rural telephone companies, will go by the wayside.

We're not asking the FCC for special treatment, we are asking for the level playing field Congress mandated so, as small businesses, we can compete for our share of these emerging markets.

Without separate auction treatment for rural telephone companies and other designated entities, a few telecommunication giants will have the overwhelming financial advantage going into the auction process. And the result will be the opposite of Congressional intent---the PCS field will be dominated by the few rather than the competitive diversity of many.

Another option would be for the commission to provide incentives to those PCS licensees who allow rural telcos within the BTA or MTA to build out the PCS system in their certificated areas.

Thank you for your attention to this important matter.

Sincerely,

Vincent Kropp, General Manager

TO: Rep. Wayne Allard  
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